

UNCLAS ANKARA 006558

SIPDIS

SENSITIVE

E.O. 12958: N/A

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SUBJECT: AMBASSADOR EDELMAN DISCUSSES EU ENVIRONMENTAL REQUIREMENTS AND FIRE-FIGHTING HELICOPTERS WITH TURKISH ENVIRONMENT AND FORESTRY MINISTER PEPE

Sensitive But Unclassified.

¶1. (SBU) Summary. Ambassador Edelman met November 18 with Turkish Minister of Environment and Forestry Osman Pepe to discuss Turkey's environmental challenges and to advocate that the Ministry purchase Sikorsky helicopters to fill its need for firefighting helicopters. Minister Pepe noted the high financial cost of implementing EU environmental standards. On the helicopters, Pepe's response and other Embassy conversations suggest that Sikorsky's Russian competition is offering a concessional deal involving official debt reduction that the U.S. company would not be able to match. End Summary.

Challenge of Adopting EU Standards

¶2. (SBU) On environmental issues, the Ambassador opened the discussion by noting that a positive decision by the EU on December 17 would open up tremendous opportunities for Turkey -- as well as some challenges. For example, there are estimates that the cost of meeting the EU environmental standards in Turkey could be as high as \$60 billion. Pepe agreed that this poses a significant challenge for Turkey. He said there are several estimates of the cost, and it will require more detailed studies of EU requirements and the kinds of projects Turkey must implement to come to a better estimate. Nevertheless, he expected the total cost to be closer to \$30-35 billion. The EU is providing funds to help Turkey evaluate the requirements and begin to assign priorities, he noted. The Ministry understands that it will take ten years to meet the EU standards and is evaluating different options to finish the projects needed. Pepe said that a large part of the responsibility for meeting environmental standards would fall to the municipalities, who must find better ways to finance improvements in water and solid waste treatment. Pepe added that the Ministry would host a "donors meeting" December 8 to present to interested embassies Turkey's plans for some "high-cost" environmental projects. The Ambassador pointed out that the U.S. is working with the Ministry of Energy and Natural Resources on projects with important environmental benefits, including renewable energy, clean coal, clean fuels and the Hydrogen Economy.

Firefighting Helicopters

¶3. (SBU) The Ambassador told Pepe that Sikorsky had put together an attractive offer to meet the Ministry's need for firefighting helicopters. The Ambassador emphasized several important advantages of the Black Hawk over what we understood was its Russian competition: it can carry firefighters at the same time as it carries water; some of the helicopters will be available by summer 2005; and because the Turkish military flies Blackhawks, there is a large pool of trained pilots, mechanics and maintenance facilities in Turkey. Pepe thanked the Ambassador for the information. He said the Ministry considers the purchase of firefighting helicopters an important need. In recent years, the Ministry has been forced to borrow military helicopters or rent from Russia and Ukraine. Pepe asked if Sikorsky could offer some "offsets" if awarded the deal.

¶4. (SBU) Comment: Post discussed the request for offsets with the local Sikorsky representative, who told us that Sikorsky would not be able to offer offsets for a deal of this size. Other Ministry officials told us previously that MOEF is considering a Russian offer to purchase Russian helicopters in exchange for cancellation of Russian debt to Turkey's Ex-Im Bank. This may indicate that MOEF does not have funding to pay cash for the U.S. helicopters and might be reluctant to ask the Turkish Treasury to authorize a loan for the purchase.

EDELMAN